



N.J. fighting to keep jobs from leaving

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St. Louis held a buffet at Shea Stadium during a Cardinals-Mets game.

In July, Pittsburgh offered a two-day city tour and tickets to the All-Star Game.

Louisiana, Mississippi and Pennsylvania each threw a party hosted by their respective governors.

All the events were designed to wine and dine corporate executives in the increasingly heated contest among states to lure new businesses to their home turf, and to keep old ones.

"It's the second war of the states," said John Boyd, a Princeton-based consultant who helps companies relocate. "There's not a day that goes by that we are not invited to some type of reception."

But as Governor Corzine begins to implement his economic plan, it's unclear whether New Jersey has the firepower to compete.

Saddled with a heavy tax burden, a high cost of living and extensive red tape, New Jersey has long carried the reputation of being unfriendly to business. And few know that better than Corzine, the former head of Goldman Sachs, who has made economic growth and job creation a top priority.

His plan contains a slew of proposals to correct the state's deficiencies, including a business hot line, a marketing campaign and an Office of Economic Growth.

"I am going to make myself marketer-in-chief," Corzine said as he unveiled the plan a month ago.

The challenge New Jersey faces was underscored last week by an unlikely state rival -- Nevada. In the most blatant attempt yet to grab New Jersey businesses, Nevada's economic development authority launched the second phase of a "campaign to recruit New Jersey Businesses," especially biotech and life science companies.

The authority said it began the campaign "in light of New Jersey's recent tax hikes and budget instability."

Somer Hollingsworth, the authority's CEO and president, said Nevada has for the last four years sought to create its own biotech industry, mostly by targeting California.

So far, the effort has attracted 19 California companies.

And when Corzine shut down Atlantic City's casinos in July as he sought to balance the state budget with a one percentage point sales tax increase, Nevada took notice.

"When you go to those extremes for a simple 1-percent increase in sales tax," Hollingsworth said, "it tells you that there has got to be a lot of companies -- not only biotech, but manufacturing and everything -- that are simply up to their necks in alligators as far as taxes."

So the authority six weeks ago ran an advertisement in New Jersey featuring the Las Vegas mayor -- a former mafia attorney -- inviting executives to consider Nevada.

'Relocation kits'

After a modest but encouraging response, the second stage of the campaign began last week.

It included a full-page advertisement in a New Jersey business magazine and 500 "relocation kits" sent to the state's biotech executives and other decision-makers.

The kits, packed in a metal box, include a card with "sweet 16" reasons to relocate to Las Vegas, a plastic model of a Las Vegas strip sign and a rubber "stress peanut for you to squeeze as you think off all the taxes you pay to a state that can't control its budget."

A fact sheet notes that Nevada has no corporate or personal income tax -- while the two taxes in New Jersey can run to 9 percent each. The sheet also notes that Nevada was fifth, and New Jersey 49th, in a ranking of state business tax levels by the Tax Foundation, a Washington think tank.

Hollingsworth said two New Jersey biotech companies -- which he declined to identify -- have already called him.

"Anything's fair game," Hollingsworth said. "If a company wants to move, we want to be in front of them and saying, 'We are a choice.' "

Phil Schepel, vice president of the corporate relocation firm ADP Mintax of East Brunswick, called Nevada's move "predatory," adding that he'd rarely seen such a blunt overture.

Still, he said, Nevada's lack of income tax and generally low business costs might attract some companies.

But Gary Rose, who heads Corzine's Office of Economic Growth, dismissed that suggestion. "I don't think these decisions are based on tax structure," Rose said.

He said companies looking to relocate or expand would likely be far more swayed by New Jersey's extensive biotech research capability and skilled, educated workforce.

Moreover, Rose noted that New Jersey came in 16th in a recent listing compiled by Forbes magazine for the Best States for Business, while Nevada finished 26th.

Yet New Jersey's position in other rankings shows the state's vulnerability.

For instance, the Competitiveness Redbook -- a collection of rankings compiled by several Washington trade associations -- ranked New Jersey seventh-highest in its Cost of Doing Business Index.

States topping the "best of" listings, frequently cited by consultants as attractive places to grow a business, are Virginia, Texas and North Carolina.

Softer factors

Consultants and New Jersey business leaders say that what makes states more attractive than others is invariably not so much the package they offer, as how they go about it.

Most states -- including New Jersey -- now offer a similar mix of economic incentives, federal worker training funds and a Web site to give easy access to location information.

The difference can be in softer factors, such as how vigorously a state works to guide a company through red tape and to minimize the effects of environmental and other regulations, consultants say.

The best states say, "What do you need? We can help you with this," said Schepel. "They knock on your door; they spend time recruiting you."

And this is best led by a governor who intervenes personally when a company is interested, they say.

"There's a new breed of salesmen out there, and many of them are either the governor themselves or their proxies," said Boyd, the consultant.

Yet New Jersey has frequently offered only modest help to companies, said Joan Verplank, president of the New Jersey Chamber of Commerce.

She said the departure of china manufacturer Lenox Group Inc. to Pennsylvania, and the decision by Silverline Windows of East Brunswick to build a \$13.1 million plant in Massachusetts, came after New Jersey virtually ignored their requests for help.

Two years ago, Verizon Wireless announced its construction of a \$29 million center in Wilmington, N.C., with a press release stating that "unlike other states, including New Jersey, North Carolina provided us with \$10 million in incentives and made us feel welcome in every possible way."

Heavy burdens

New Jersey is burdened with costs that even astute government leaders can't change: a heavily unionized workforce, high wage rates, expensive property costs and a significant tax burden.

What's more, its poor financial position is another hindrance, say business leaders: While the state wrestles with a budget deficit, more than half its competitors will have a surplus in 2007, according to the Center on Budget and Policy Priorities, a Washington-based think tank.

That's money available for incentives, economic development staff and marketing.

"It's a lot easier if you are in a state that has surpluses to justify and rationalize spending on business development," Verplank said.

Still, some consultants say that New Jersey has significant advantages over other states, including the proximity of the New York market, the ports and Newark Liberty International Airport.

With these assets, said Rose, New Jersey doesn't feel the need to wine and dine executives as other states do.

"It's hard to believe that parties are key to growing your economy," he said, noting that the state is reconfiguring efforts to respond better to the needs of business.

Although Corzine's economic plan has drawn only lukewarm support, his commitment -- and the quality of the staff surrounding him -- has impressed many business leaders.

"This man is a businessman, who understands finance, who understands business," said Jon Shevell, vice chairman of Elizabeth-based New England Motor Freight Inc., a past critic of state economic development efforts. "We feel very positive with the new administration."

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Who's leaving or expanding outside of New Jersey?

Some New Jersey companies that set up facilities outside the state in the last three years.

Company	Business	Where to
Lenox Group Inc.	China maker	Moved from Lawrenceville to Bristol, Pa.
Merck & Co.	Pharmaceutical	Built a \$300 million vaccine plant in Durham, N.C., creating 300 jobs.
Bristol-Myers Squibb	Pharmaceutical	Is building a biologic compound plant in Devens, Mass., with 350 jobs.
Unilever	Food	Moved about 900 jobs from Englewood Cliffs and Edgewater to Trumbull, Conn.
ADP	Business transaction processor	Built a 185,000-square-foot service/backup center in Sioux Falls, S.D.
American Institute of Certified Public Accountants	Trade association	Moved from Jersey City to Durham, N. C., with 360 jobs.
Silverline	Windows Manufacturer	Opened manufacturing plant in Fall River, Mass., creating 460 jobs.

Sources: New Jersey State Chamber of Commerce; Massachusetts Alliance for Economic Development; expansionmanagement.com; Sioux Falls Business Journal; siteselection.com

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How to get help for your small business

Governor Corzine says he wants to encourage the growth of small and midsize businesses, which make up 96 percent of the state's businesses. Here are some of the programs available to businesses seeking to expand in or relocate to New Jersey.

Loans and training

- Low-interest financing through bonds, loans, loan participations and loan guarantees.
- Customized assistance for high-technology and life sciences companies.
- Urban and Smart Growth redevelopment funding.

- Grants and loans for brownfields investigation and cleanup.
- Incentive grants to businesses creating at least 25 new jobs in New Jersey (10 jobs if in the high-technology or biotechnology sectors).
- Entrepreneurial training for new and aspiring business owners.
- Funding for energy efficiency and renewable energy projects.
- Loan guarantees to generate film industry investments in New Jersey.

Businesses seeking information about these programs should call the New Jersey Economic Development Authority at 609-292-1800.

Business Employment Incentive Program (BEIP)

- To be eligible, a business must create 25 jobs in New Jersey, or 10 jobs if it is in the biotech or high-tech industries.
- Companies can get an income tax break of between 10 and 80 percent for 10 years.
- Business Retention and Relocation Assistance Grant of Tax Credits (BRRAG) program. Available to companies that relocate more than 250 jobs within the state.
- Companies can get grants of up to \$1,500 per job retained in the form of a credit against corporate business tax.

For more information on these programs, call 609-777-0885 or 86-NJFIRST9 (866-534-7789).

General information

For advice about your business, consult the state of New Jersey Web site at nj.gov/njbusiness

Or call: 866-534-7789

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